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5300 Cureton Ferry Rd.  
Post Office Box 7  
Catawba, SC 29704  
georgeyawn@resolutefp.com

September 19, 2012

Jocelyn Boyd, Esquire  
Chief Clerk and Administrator  
South Carolina Public Service Commission  
101 Executive Center Drive  
Columbia, SC 29210

RE: Customer Deposit Interest Rate - Electric Utilities

Dear Ms. Boyd:

Resolute Forest Products, which owns and operates a large pulp and paper plant located in Catawba, South Carolina ("Catawba" or "Mill"). Catawba employs over 700 people and produces bleached pulp, a very versatile paper stock, and coated paper which is used in magazines. Resolute Forest Products, a large forest products company with over 35 manufacturing plants located within the United States and Canada. I serve as the Manager for Energy Procurement for North America for Resolute Forest Products.

In January 2011, Duke Energy Carolinas ("Duke"), the Mill's electricity provider, required that Resolute Forest Products to post collateral of \$5.4 million as a customer deposit. At that time Resolute Forest Products chose to provide Duke with a Letter of Credit for that amount and continues to provide the Letter of Credit. This year, we've had several discussions with Duke requesting that the customer deposit be eliminated. In spite of these discussions and our improving financial performance, Duke continues to demand a customer deposit of \$5.4 million.

The Letter of Credit is onerous in that it limits our ability to borrow for purposes of capital construction, facilities maintenance, and expansion. An alternative to the Letter of Credit is a cash deposit. The South Carolina Public Service Commission currently requires Duke to pay an interest rate of 3.5% per annum for cash deposits. See Order No. 2003-593 in Docket No. 1993-013-A which is attached. North Carolina, which is very competitive with South Carolina, requires Duke and other utilities to pay a rate of 8% per annum. Attached is North Carolina's Rule R12-4. Deposit; amount; receipt; interest. In addition, the South Carolina statutory legal rate of interest is 8.75% per annum.



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On behalf of Resolute Forest Products, I would request that the South Carolina Public Service Commission increase the interest rate on customer deposits for electric utilities to 8% per annum. This higher interest rate will allow customers that are required to provide a customer deposit with more favorable options. A higher return on cash deposits allows businesses like Resolute Forest Products to utilize its cash more efficiently. Customers of our electric utilities have little leverage over a utility's decision to impose a customer deposit. The higher rate also will encourage South Carolina electric utilities to exercise more caution in requiring customer deposits.

I'm attaching a business card so that I can be reached for further discussion about this matter.

Sincerely,

RESOLUTE FOREST PRODUCTS

A handwritten signature in black ink that reads 'George Yawn'. The signature is written in a cursive, flowing style.

George Yawn  
Manager Energy Procurement

Enclosures

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 1993-013-A - ORDER NO. 2003-593  
OCTOBER 3, 2003

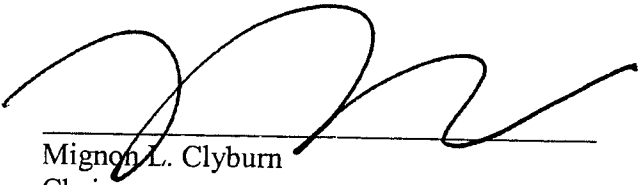
IN RE: Request to Modify the Interest Rate to be Paid ) ORDER MODIFYING  
by Utilities on Customer Deposits. ) INTEREST RATE ON  
 ) CUSTOMER DEPOSITS

This matter comes before the Public Service Commission of South Carolina (the Commission) on the proposal from the Commission's Executive Director to modify the current rate of interest paid on customer deposits by the various utility companies. The current rate of such interest to be paid on such deposits is 8%, which was set by Order No. 93-12. The Executive Director proposes to modify said rate to better reflect current market conditions with the modified rate being effective on January 1, 2004.


After discussion, we hereby modify the interest rates on customer deposits to 3.5%, effective January 1, 2004. This Commission will hereinafter review this interest rate on an annual basis.

This Order shall remain in full force and effect until further Order of the  
Commission.

BY ORDER OF THE COMMISSION:

  
\_\_\_\_\_  
Mignon L. Clyburn  
Chairman

ATTEST:

  
\_\_\_\_\_  
Bruce F. Duke  
Deputy Executive Director

(SEAL)

# North Carolina

## **Rule R12-4. Deposit; amount; receipt; interest.**

(a) No utility shall require a cash deposit to establish or reestablish service in an amount in excess of two-twelfths of the estimated charge for the service for the ensuing twelve months; and, in the case of seasonal service, in an amount in excess of one-half of the estimated charge for the service for the season involved (except that in the case of seasonal natural gas customers, the cash deposit may not be in an amount in excess of one-third of the estimated charge for the service for the season involved). Each utility, upon request, shall furnish a copy of these Rules to the applicant for service or customer from whom a deposit is required, and such copy shall contain the name, address, and telephone number of the Commission.

(b) Upon receiving a cash deposit, the utility shall furnish to the applicant for service or customer, a receipt showing: (i) the date thereof; (ii) the name of the applicant or customer and the address of the premises to be served or served; (iii) the service to be furnished or furnished; and (iv) the amount of the deposit and the rate of interest to be paid thereon.

(c) Each utility shall pay interest on any deposit held more than ninety (90) days at the rate of eight percent per annum. Interest on a deposit shall accrue annually and, if requested, shall be annually credited to the customer by deducting such interest from the amount of the next bill for service following the accrual date. A utility shall pay interest on a deposit beginning with the 91st day after it is collected and continuing until such deposit is lawfully tendered back to the customer by first-class mail, or to his legal representative or until it escheats to the State, with accrued interest.

(d) Nothing in this rule shall preclude a natural gas utility from exercising reasonable discretion in waiving or extending the deposit requirement to prevent undue hardship to an applicant or customer.

(NCUC Docket No. M-100, Sub 28, 5/6/70; NCUC Docket Nos. M-100, Sub 28, M-100, Sub 61, 9/7/78; NCUC Docket Nos. M-100, Sub 28, M-100, Sub 61, 12/17/79; NCUC Docket No. M-100, Sub 86, 9/12/80.)